

After big bullion bust, 'good guys' tightening rules

By Roger Boye

When the International Gold Bullion Exchange [IGBE] filed for bankruptcy last April, authorities opened the company's vault in Ft. Lauderdale, Fla., hoping to find a fortune in gold.

Instead, they uncovered old typewriters and several wooden blocks, painted and shaped like gold bars. Subsequent investigations would show that company officials had squandered millions of dollars from novice investors through gross mismanagement and lavish living.

Such horror stories have tarnished the reputations of all dealers of gold and silver bullion, including the honest business people who make up more than 99 percent of the industry. But the "good guys" are fighting back to restore credibility and regain consumer confidence.

"Quite simply, we want to protect people from getting ripped off," said Donald C. Evans Jr., president of the Industry Council for Tangible Assets, in Washington, D.C. Formed last June as a lobbying organization, the council boasts some 450 members, from large bullion dealers to mom-and-pop coin stores.

In July the council probably will adopt a code of ethics to which its members would subscribe. Dealers would pledge, among other things, to disclose all terms of sales to customers, identify possible investment risks, limit delivery delays and keep customer-owned metal in independent depositories, Evans said.

Had the IGBE followed such standards, last year's scandal might never have occurred. As it is, claims against the company now total nearly \$76 million, and the figure could go up even more, according to data reported last month to a Senate subcommittee.

Further, the industry council has developed voluntary guidelines for the media in screening advertisements from bullion dealers, Evans said in mid-April. Several people bilked by the IGBE or other fraudulent dealers claim that they were lured into making the investment by fancy-looking ads that ran in many of the country's most prestigious newspapers.

Evans also said that he is working on an insurance program to protect bullion buyers from dealer fraud, bankruptcy or insolvency. Although details still are being formulated, the customer likely would pay for the insurance, either as an add-on cost or as part of the dealer's overall charge.

The council also is promoting consumer education so that would-be buyers will learn to be wary of outlandish profit claims or high-pressure sales tactics. As the experts remind gullible investors, there is no sure profit when dealing in gold and silver.